HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

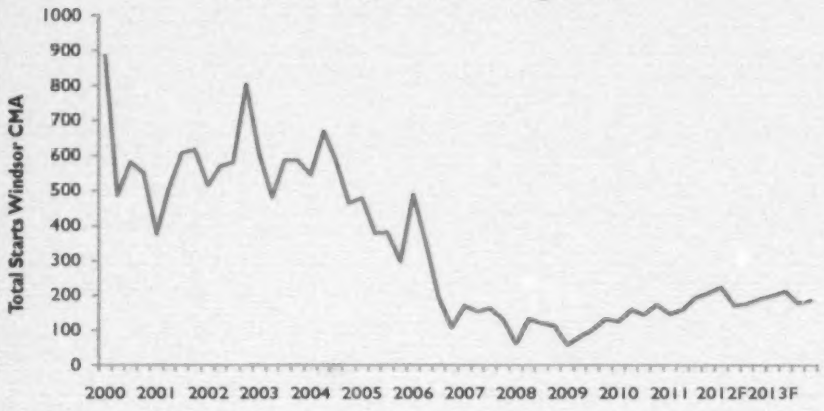
Date Released: Spring 2012

Market at a Glance

- Existing home sales will begin rising in the latter half of 2012 and through 2013. On an annual basis, there should be modest growth in sales in both 2012 and 2013.
- Housing starts will increase modestly in 2012 and moderately in 2013.
- The average MLS® price will increase moderately in both 2012 and 2013, consistent with the price growth in 2011.

Figure 1

Moderate Growth in Housing Starts



Source: CMHC

* The forecasts included in this document are based on information available as of April 27, 2012.

Table of Contents

1 Market at a Glance

2 Resale Market

3 New Home Market

4 Local Economy

4 Mortgage Rate Outlook

5 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Resale Home Market

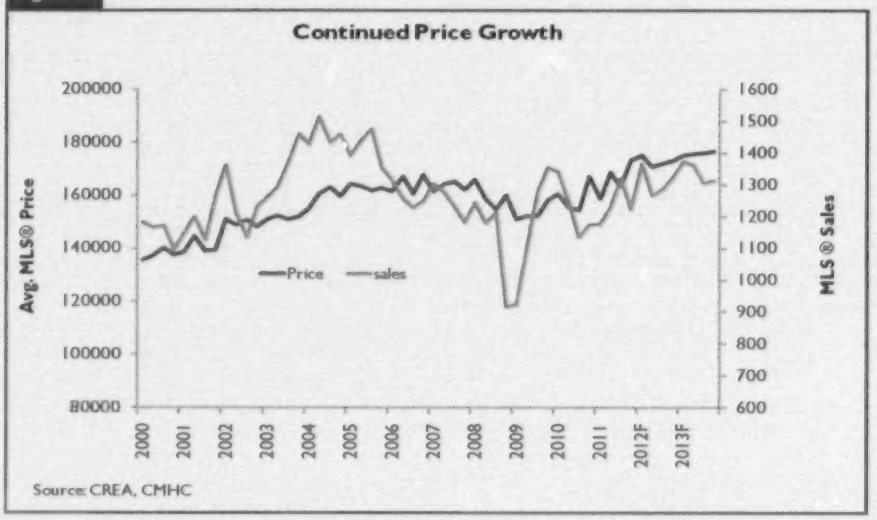
MLS® Sales will increase in 2012

Sales in the remainder of 2012 will drop off from the first quarter. However, on an annual basis, sales will increase moderately in 2012. Sales will also increase into 2013, supported by continued increases in employment. Annually, sales should increase in 2013 by approximately the same magnitude as in 2012.

There has been a pull-forward of demand in the first quarter of 2012, meaning that some buyers purchased earlier than they would have in the absence of some economic or regulatory factors. For example, competition among the chartered banks pushed down mortgage rates in the first quarter, encouraging some to buy. With more people having already purchased in the first quarter, sales will drop in the second quarter.

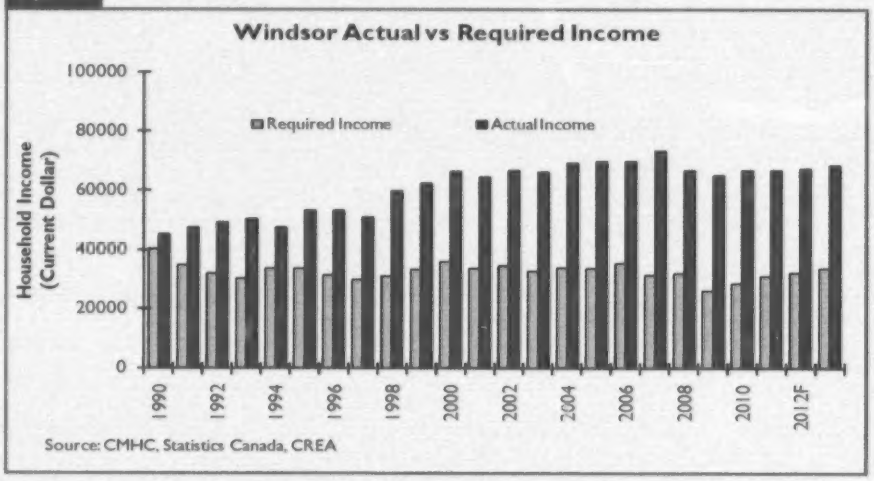
Factors which will support higher sales over the next two years include a more stable economy in Windsor as well as a growing population. Between 2006 and 2009 employment in Windsor declined by approximately 10 per cent. Since that time, the total number of people employed in the region has become more stable. When employment was declining, many more people were leaving Windsor than migrating into the region. Consequently, the population was declining during this timeframe. Out-migration has diminished since that time and the population increased modestly in 2010 and 2011. With more people migrating to Windsor, the demand for homes has increased and this has increased sales. Improving employment conditions have increased potential purchasers' ability to buy and this has contributed to more sales. Strengthening migration and employment in 2012 and 2013 will lead to higher sales in both of these years.

Figure 2



In 2012, rising resale home prices in Windsor have caused the required income necessary to carry a mortgage on an average-priced resale home to grow faster than the actual average household income. However, the overall proportion of required income to actual income in Windsor is still much lower than in other CMAs in Ontario. In 2013, continued

Figure 3



Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

increases in the average resale home price, combined with mortgage rate increases, will mean that the income required to carry a mortgage will grow faster than actual income. However, the share of actual income required to service a mortgage in Windsor will still be much lower than in most markets in Ontario.

The US economic recovery is contributing to stronger housing demand in Windsor. Windsor's economy and housing markets are more closely tied to US business prospects than other markets in Ontario. A stronger US economy can therefore boost the income of businesses and employees in Windsor and elevate housing sales, prices and new construction. US vehicle sales have nearly recovered to pre-2008 levels and the consensus forecast for US GDP has been revised upward.

The average price for an existing home will ease in the second quarter but then rise in the remainder of 2012. With fewer sales in the second quarter, the market won't be as tight as it was in the first quarter, which will result in a decline in the average price. On an annual basis, the average price will increase moderately in 2012 and price will be trending up into 2013. Price growth will slow as listings begin to grow but the resale market will remain in a balanced state in 2012 and into 2013.

Listings will begin increasing gradually in the remainder of 2012. With the average price rising in the second half of 2012, homeowners will have a stronger incentive to put their house on the market in order to purchase something that more closely meets their current needs. The trend in new listings has been downward since 2007, but they stayed flat in the first quarter of 2012 versus the fourth quarter of 2011, indicating rising prices are beginning to draw out some listings.

New Home Market

Modest growth in housing starts in 2012

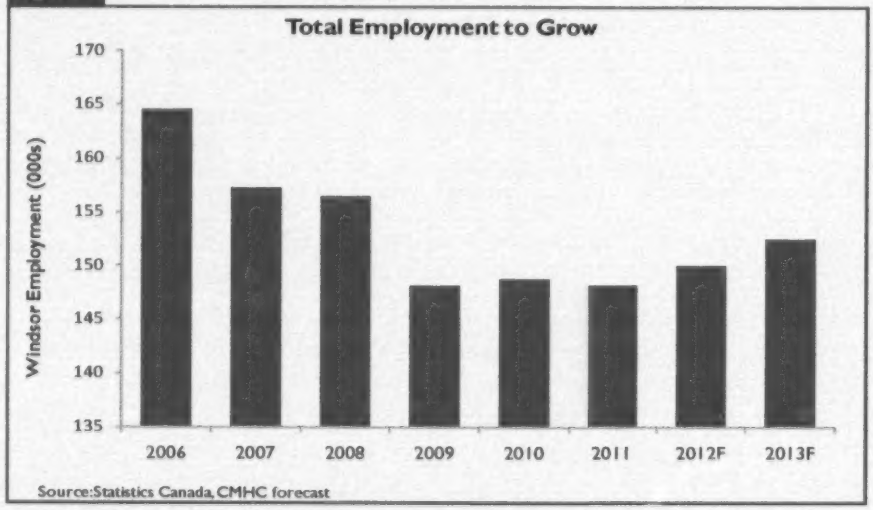
Housing starts will decline in the second quarter and then gradually increase in the remainder of 2012. The net effect will be a modest increase in starts in 2012. Since supply and demand in the resale market are relatively well matched, there will be little demand spilling over into the new home market, and consequently little upward pressure on starts.

Population growth is a factor influencing the demand for housing, whether for new homes or existing homes but particularly for new homes. Population decline in Windsor had been a restraint on construction from 2006 to 2009. However, housing starts increased in both 2010 and 2011. This development coincides with a period of stable employment and modest population growth after several years of decline.

New residential construction grew throughout 2011 and has done so again in the first quarter of 2012. On a seasonally adjusted basis, the first quarter had the most construction since the second quarter of 2006. However, this pace of construction will not be sustained. Starts will decline in the second quarter before increasing for the remainder of 2012 and into 2013. The factors described which contributed to a pull-forward of housing demand in the resale market have also affected the new home market. With lower demand in the second quarter, there will also be less new construction.

Construction of semi-detached housing will decline in 2012. The amount of construction of this housing type was elevated in 2011 by a new project which was started to replace housing removed to make way for the construction of the Windsor-Essex Parkway. Townhome construction will continue at the level reached 2011, which was much higher than in prior years. Townhomes are popular with retirees. The inventory of

Figure 4



single-detached housing is the lowest it has been in several years. Therefore, demand for this type of housing will lead to more construction, as single-detached inventories deplete.

New home price to stabilize in 2012

The average price of a newly completed single-detached home will remain fairly stable in 2012 compared to the average price in 2011. The growth in price since 2009 had been mainly a result of more completions and sales of higher-priced homes compared to earlier years. This phenomenon began subsiding in the latter half of 2011 and will continue to subside in 2012, resulting in a more stable average price.

Local Economy

Employment in Windsor will be lifted in 2012 as work ramps up on the Windsor-Essex Parkway, a project valued at roughly $1.4 billion. This project will impact construction employment from those working directly on the project. It will also impact other sectors in Windsor as workers spend their earnings on a diverse range of goods and services. There is also the potential for employment in Windsor to be lifted further in coming years since more infrastructure projects are expected.

The effect of the parkway project will be a moderate gain in employment over the next two years. The unemployment rate will also decline, although more modestly, as the labour force in Windsor will increase over this period. Employment will also be supported by gradual recovery of the US economy and the unemployment rate will fall below nine per cent in 2013.

In the first quarter, manufacturing employment remained relatively stable from the fourth quarter of 2011. Although employment in Windsor's automotive sector was not growing, mold-makers, metal fabricators and machinery manufacturers were benefiting from stronger automotive demand. Dampening a larger increase in employment was the fact that some companies are having difficulty finding skilled labour with the education or experience necessary to match with their job vacancies.

Green energy has been an area of diversification in Windsor's economy recently. However, provincial incentives to green energy companies have been reduced, which will require these companies to become more self-sufficient.

Mortgage Rate Outlook

CMHC uses publically available information and the consensus among major Canadian forecasters as a basis for its interest rate forecast. Although there is significant uncertainty, consensus forecasts suggest that interest rates are not expected to rise until at least later in 2012, but will remain low by historical standards, thus supporting the Canadian housing market.

According to CMHC's base case scenario, posted mortgage rates will increase near the end of 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.1 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within 5.0 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to rise with interest rates and be in the 3.5 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.6 per cent.

Forecast Summary Windsor CMA Spring 2012							
	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	4,661	4,893	4,946	5,150	4.1	5,350	3.9
MLS® New Listings	10,133	10,058	9,749	10,000	2.6	10,250	2.5
MLS® Average Price ($)	153,691	159,347	166,008	173,000	4.2	176,500	2.0
New Home Market							
Starts:							
Single-Detached	303	460	466	470	0.9	510	8.5
Multiples	88	157	253	259	2.4	260	0.4
Semi-Detached	14	26	92	76	-17.4	70	-7.9
Row/Townhouse	68	89	153	153	0.0	160	4.6
Apartments	6	42	8	30 **		30	0.0
Starts - Total	391	617	719	729	1.4	770	5.6
Average Price ($):							
Single-Detached	309,030	326,173	331,494	334,000	0.8	335,000	0.3
New Housing Price Index (% chg.)	0.1	-0.8	-3.1	3.0	-	1.0	-
Rental Market							
October Vacancy Rate (%)	13.0	10.9	8.1	8.0	-0.1	7.7	-0.3
Two-bedroom Average Rent (October) ($)	747	752	753	760	-	765	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	148,100	148,700	148,200	150,000	1.2	152,500	1.7
Employment Growth (%)	-5.3	0.4	-0.3	1.2	-	1.7	-
Unemployment rate (%)	13.8	11.5	9.6	9.1	-	8.7	-
Net Migration	-2,203	-264	-516	-100	-	100	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2012 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

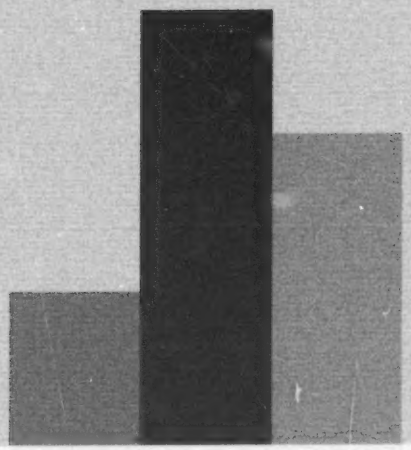
Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at chic@cmhc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
- Rental Market Statistics *Now semi-annual!*
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities — starts, rents, vacancy rates and much more.

Are you interested in housing research?

Stay up-to-date with the latest housing research findings and events related to sustainable housing and communities, housing conditions and trends, housing finance and more.

Subscribe Today to CMHC's Housing Research E-Newsletter!

64335_2012_B01